

STATE OF NEW YORK  
PUBLIC SERVICE COMMISSION

CASE 15-E-0751 - In the Matter of the Value of Distributed  
Energy Resources.

NOTICE SOLICITING COMMENTS REGARDING VALUE OF DISTRIBUTED ENERGY  
RESOURCES IMPLEMENTATION PROPOSALS AND COST MITIGATION ISSUES

(Issued May 12, 2017)

On March 9, 2017, the Public Service Commission (Commission) issued an Order on Net Metering Transition, Phase One of Value of Distributed Energy Resources, and Related Matters (Order) in the above-referenced proceeding. That Order directed the filing of utility Implementation Proposals to support Commission consideration of issues related to the implementation of the Value Stack methodology adopted in the Order. In addition, the Order identified several other implementation issues, including issues related to project cost mitigation. The Implementation Proposals were filed on May 1, 2017, consistent with the Order.<sup>1</sup>

**PLEASE TAKE NOTICE** that the Commission seeks comments on implementation issues related to the Value of Distributed Energy Resources (VDER) Phase One Value Stack. In particular, comments are sought regarding:

- The Implementation Proposals filed by the utilities on May 1, 2017;
- Methods for compensating projects that pair storage with clean generation, which avoid providing environmental and market transition credit compensation for non-clean energy, as discussed on page 48 of the Order;

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<sup>1</sup> The Implementation Proposals, as well as the Order and other relevant documents, can be found in the Department's Document and Matter Management System under Case 15-E-0751.

- Whether the environmental compensation rate for a project should be fixed when that project pays 25% of its interconnection costs, or at the time of the execution of a Standard Interconnection Contract if no such payment is required, rather than at the time of interconnection;
- Whether projects with a rated capacity of greater than 2 megawatts (MW) should be permitted to participate in the Value Stack tariff and if so: whether projects should be limited to a rated capacity of 5 MW or to a different rated capacity; whether the increase in the capacity limit should be limited to particular technologies or particular project types; and whether the increase in project size should be limited to new projects, or whether it should include (a) existing projects larger than 2 MW that opt-in to the Value Stack and/or (b) existing projects smaller than 2 MW that expand their capacity;
- Whether utilities should be directed to take action to enable consolidated billing, and if so what action should be required, as well as what conditions should be imposed to consolidated billing to ensure consumers and ratepayers are appropriately protected.

Further details regarding the last two bullets can be found in Appendix A to this Notice, Staff Discussion Regarding Cost Mitigation Measures. Commenters should also take note of comments filed on April 17 and 18, in response to the April 5 and 6 Technical Conference (VDER Technical Conference), as well as the discussion regarding consolidated billing in the Joint Utilities' Workplan, filed April 24, 2017.

Interested parties are invited to submit comments on these issues by July 10, 2017. All filings should refer to "Case 15-E-0751" and be submitted to the Secretary by e-filing, through the Department of Public Service's Document and Matter

Management System (DMM),<sup>2</sup> or by e-mail to the Secretary at [secretary@dps.ny.gov](mailto:secretary@dps.ny.gov). If unable to file electronically, commenters may make submissions by U.S. Mail or by hand delivery to the Hon. Kathleen H. Burgess, Secretary, Three Empire Plaza, Albany, New York 12223-1350.

Information and instructions related to subscribing to the service list, or otherwise monitoring the status of this proceeding can be found on the Department's website at <http://documents.dps.ny.gov/public/MatterManagement/RequestAPStatus.aspx>. All documents submitted to the Secretary will be posted on the Department's website and become part of the official case record.

If you have any questions, please contact Ted Kelly by email at [Theodore.Kelly@dps.ny.gov](mailto:Theodore.Kelly@dps.ny.gov), or by telephone at (518) 473-4953.

(SIGNED)

KATHLEEN H. BURGESS  
Secretary

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<sup>2</sup> To register with DMM, go to <http://www.dps.ny.gov/e-file/registration.html>.

APPENDIX A

Staff Discussion Regarding Cost Mitigation Measures

This Appendix contains a discussion of cost mitigation measures that the Commission may consider as part of the implementation of the Value of Distributed Energy Resources (VDER) Phase One Value Stack. The discussion presents potential benefits of those measures, as well as some related questions and concerns, based on analysis by the Department of Public Service Staff (Staff) and the New York State Energy Research and Development Authority (NYSERDA) to facilitate stakeholder consideration and discussion.

Increase in Project Capacity Limits

Projects under net metering, as well as under the VDER tariff, are limited to a maximum rated capacity of 2 megawatts (MW).<sup>1</sup> Increasing this maximum to 5 MW would significantly decrease project costs, which could permit more projects to be built at a lower cost to both developers and ratepayers. During the VDER technical conference several stakeholders presented a case for the benefits of increasing the system size cap, which are summarized below. While the discussion here focuses on solar photovoltaic (PV) generation, commenters should also consider the benefits, costs, and other impacts associated with increasing the maximum rated capacity of other technologies.

Solar PV project economics vary widely and are dependent upon a host of factors that drive costs. Hard and soft costs for solar have declined steadily in recent years and are predicted to decline further through the end of the decade.

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<sup>1</sup> PSL 66-j and 66-l; Case 15-E-0751, Value of Distributed Energy Resources, Order on Net Metering Transition, Phase One of Value of Distributed Energy Resources, and Related Matters (issued March 9, 2017). Combined heat and power projects are limited to a rated capacity of 10 kilowatts (kW).

Increasing system sizes has a different impact on various aspects of those costs. For example, increasing system sizes may have limited or no impact on per panel cost, but may have a substantial impact on permitting costs, engineering costs, and interconnection costs. 5 MW AC projects can achieve significant economies of scale across soft cost categories compared to small projects. The levelized cost of energy (LCOE) can therefore change significantly based solely on economies of scale, allowing more projects to be built at lower compensation levels, for example Community Distributed Generation projects in Tranches with a lower Market Transition Credit.

Increasing system sizes to 5 MW AC also reduces administrative costs, not only for the developer but also for the interconnecting utility, compared to multiple adjacent 2 MW projects. 124 of the 399 Community Distributed Generation (CDG) and Remote Net Metering (RNM) projects currently submitted in the NY-Sun incentive program have been subdivided as a larger plot into multiple small ones. Each project will be separately metered, its value separately calculated and billed, and its credits distributed to a separate customer list. Particularly early in the VDER implementation process, when utilities may be using manual billing or spending significant time reviewing bills, a smaller number of larger projects would be less burdensome.

In addition, the subdivision process itself adds cost and time to the project development process. Moreover, zoning rules in many municipalities require setbacks from all property lines. By subdividing the property, the buildable area is reduced, requiring the acquisition of additional property by the developer to maximize the technical and economic potential of a site. This also increases the land use impact of projects.

Overall, the case that was made at the technical conference for increasing the system size for new projects at the technical conference was well received by NYSERDA. As a cost-saving measure, this change would help CDG projects become viable in the later MTC tranches with lower total compensation, and allow RNM projects to move to the value stack methodology.

Commenters are invited to discuss whether they support increasing the maximum rated capacity; whether projects should be limited to a rated capacity of 5 MW or to a different rated capacity; whether any increase in the capacity limit should be limited to particular technologies, such as solar PV, and/or particular project types, such as CDG, or should apply to all technologies and product types; and whether any increase in project size should be limited to new projects to avoid market disruption and implementation issues, or whether it should include (a) existing projects larger than 2 MW that opt-in to the Value Stack and/or (b) existing projects smaller than 2 MW that expand their capacity;

#### Consolidated Billing

CDG projects have significant customer management and billing costs. Consolidated billing by the utility, where the per month charge to CDG members would be included on the utility bill and the utility then remits those members' payments to the CDG project owner or administrator, would reduce these costs, provide a potential revenue stream for utilities, and improve the customer experience. However, implementing consolidated billing will be a complex and potentially costly process and raises some customer protection issues, related to both subscribers and ratepayers more generally, that must be considered and ultimately resolved before any consolidated billing system is implemented.

During the VDER Technical Conference, several stakeholders presented the case for consolidated billing. A consolidated billing system would reduce both upfront project development costs and ongoing expenses by eliminating the need for project developers to build a new billing and management system for CDG projects in New York or to contract with a third party for these services. The VDER Order is expected to increase these expenses relative to total project costs by encouraging developers to subscribe a greater proportion of residential and non-demand commercial customers compared to large "anchor" commercial customers in order to access MTC compensation. Solar developer representatives expressed interest in a fee-based system that would provide revenue to the utilities while reducing the developers' overall costs. They also noted that a consolidated system would give customers clear visibility into the calculation and value of the credits generated by the project, and their relative cost.

The implementation costs and challenges of consolidated billing were also discussed at the technical conference. The Joint Utilities also discussed this issues in their Joint Workplan, filed April 24, 2017. Consolidated Edison Company of New York, Inc. (Con Edison) expressed that they do not currently have a large pipeline of CDG projects, and developing a billing system for a small number of projects would be particularly costly on a per project basis. Utility representatives noted that different utilities use different billing systems so developing a state-wide system may be very challenging and time-intensive, compared to the deployment of 3rd party billing systems. As stated in the VDER Order, further consideration of consolidated billing should be done with particular attention to the relevant HEFPA provisions and the need to protect ratepayers and CDG members. In particular,

consolidated billing would be most protective of ratepayers and CDG members if utilities had priority in the case of partial payments, if utilities only remitted payments to developers after they were received, and if developers remained responsible for collections activities related to unpaid bills, with no possibility of a shutoff of electric or gas service due to failure to pay the CDG portion of the bill.